

## THE STUDY OF KNOWLEDGE MANAGEMENT'S EFFECT ON CRM SUCCESS

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### **Abstract**

With the knowledge management (KM) and customer relationship management's (CRM) being strategic and pivotal in current competitive world, presented inquiry has been set to inspect the impact of knowledge management capability on customer relationship management's success. Having reviewed the literature of the issue, and using numerous studies we encountered the vital and remarkable figure that knowledge management has in customer relationship management success. This quest is on a population of 223 of administrators, associates, and experts in Pasargad Bank. Structural equation model used through Amos program was the mean to information analysis in this quest. Findings of the research suggest that knowledge management capability is positively influential and meaningful in customer relationship management success via several variables which are customer orientation, knowledge acquisition and diffusion and CRM technology. Despite the improving influence of distributing knowledge and customer relationship management, technology distribution is not much profound and generalizable.

**Keywords:** KM capability, CRM success, Organizational factors, CRM technology, Customer orientation

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## 1. Introduction

Today's world is the world of knowledge-based organizations. Knowledge management in order to get the new sources of knowledge has focused on new theories as social knowledge management, whose goal is to have access to customers' massive amount of knowledge (Retna& Tee NG, 2011). In recent years, knowledge management has been considered as a key tool for enhancing organizational efficiency and performance (Zack et al, 2009) and provides organizations with opportunities of having the ability of recognizing chances in the market and to increase their competitive privilege. It's managing the process of personal and organizational knowledge distribution and dispensation in the whole organization that ends in its increased efficiency and performance (Buckman, 1998). For this reason, banks should firstly emphasize on equipping themselves –recognizing needs- customers' expectations and considering the market's situation and should build a strong and trustful relation between institutions and customers, because any bank that recognizes and fulfills these needs before the other rivals, will be the winner in the competition ground.

Knowledge management is considered as the main success factor including acquiring and using knowledge management, and publishing knowledge, although other factors like customer orientation, and CRM technology can also have direct effects on CRM success. (Roh et al, 2005; Eid,2007; Chen & Ching,2004)

Today's competitive world has made organizations pay more attention to their customers and instead of massive and efficient production; emphasize on the customer and his/her satisfaction with service giving. Customer relationship management helps organizations with recognizing key customers and those who are important and with keeping them for future exchanges, and in this way causes a decrease in costs made for new customer attraction and also helps them with income production from loyal customers. Organizations have realized that customers are their most precious belongings; therefore, they look at their relations with customers as an advantageous communion that needs to be well managed (Plakkoyiannaki, 2005).

In today's competitive environment, the customer relationship management and strategic tools' knowledge management is considered as a key to all the organizations, also knowledge management is an important matter for accomplishing and fulfilling customer relationship management (Garrido-moreno.A& Padilla-Melendez.A, 2011).

There are so many studies which analyze the vital and effective role of KM on CRM (Afrazeh et al., 1388, Gholamian et al., 1385, Garrido-moreno.A & Padilla-Melendez.A, 2011). But still, there's a lack of conscious of what the effects of this factor and other ones like CRM technology, customer orientation are on CRM success. Also, Sin et al (2005) discuss that there's no meaningful and integrated frame that interprets the meaning of CRM in specific organizational activities.

For this reason, there's a need for a meaningful model based on CRM success knowledge that includes the main and determinant and effective variables on successful performing of this strategy. Considering the discussed matters, current research practically studies the effectiveness and the role of knowledge management capability, CRM technology, and customer orientation on CRM success and looks for the answer of questions as "is KM effective on CRM as the main factor of success? do other present factors as CRM technology, and customer orientation also play a role in this success, and what's their role in CRM success?" to find these questions' answers we analyze theories in the model of a meaningful frame and then start to compare the results of the research with previous studies.

## 2. Review of literature

Majid Mirveisy (1382) has studied the effect of banking personnel's customer orientation on banking service's customers' commitment for purchasing again in his MA dissertation titled "analyzing the effects of banking industry's personnel's customer orientation on customers' commitment for purchasing banking services again" and considered four elements of social skills, technical skills, customers' motivation and their power to purchase again as important.

Kalantari and Tabi'i Tolu (1389) have studied customer relation management and marketing performance in their research and came to the conclusion that the relation between marketing performance and customer relationship management in Iran's banking industry is at weak levels and in other words this research's results show that not only the banks are unfamiliar with CRM technology, but also they consider CRM logic less than anything.

Garrido-moreno. A & Padilla-Melendez.A (2011) studied the relation between knowledge management and CRM as two important and strategic parts in a research titled "Analyzing the impact of knowledge management on CRM success: The mediating effects of organizational

factors". also they considered elements like customer orientation, CRM technology, and CRM experience as effective in this relation and analyzed their influence and came to the conclusion that all these mentioned elements have a positive effect on CRM, and to our surprise, KM that was considered as the most important and effective element in CRM success, they were the organizational elements and CRM experience that have been considered and approved as the most determinant and effective intermediate. The other three elements also have been almost approved.

Safar Fazli&MatinRashidiAstaneh (2013) studied the effective elements in CRM strategy's financial and marketing aspects in a research titled "The Role of the Factors Affecting the Financial and Marketing Aspects of Customer Relationship Management Strategy ". Results of this research show that the effect of knowledge management, organizational elements, and relation's quality on CRM technology's success is positive and significant, although using the CRM system's experience has not necessarily ended in success.

### 3. Research hypotheses

**H1:**customer orientation has a positive and significant effect on CRM success.

**H2:**knowledge management capability has a positive and significant effect on CRM success.

**H3:**CRM technology has a positive and significant effect on CRM success.

### 4. Methodology

We received a respective questionnaire from the author of an essay titled "Analyzing the impact of knowledge management on CRM success: The mediating effects of organizational factors" (Garrido-Moreno et al.,2011) through email and used it with some partial changes. The ultimate indicator for measuring different variables and CRM results included 40 questions that had experimentally been approved. A 5-point Likert scale was used for measuring model variables.

After the data collection, and using confirmatory factor analyses, we validated and refined the measurement scale of the proposed model. At the end we used the structural equation methodology to test the forenamed practical model.

The statistical population of this research are managers, assistants, and experts of Pasargad bank's northern branch in Tehran that include 418 persons. The reason we chose this option was the CRM's great importance in banking industry for its close relationship with customer. After

gathering all the questionnaires at the end, 200 totally correct questionnaires were received and this sample is a good representative of the society.

#### 4.1 Validity and reliability of Research tools

The validity of questionnaires was assessed through face validity and the reliability through Cronbach's Alpha which is the most common scale for indicators' stability analysis and also its justifiability were studied and approved by the respective professors.

The total reliability of questionnaire was 0.906 and was considered the mean of reliability for all factors. In this study, the analysis was conducted through descriptive statistics indices and inferential statistics methods.

#### 5. Structural model testing

Research's analytic model is a structural model that is formed by some latent variables and causal inter-relations that have been studied and measured by 40 questions from experts and are expressed by them. To test the proposed theories we used structural equations procedure which let us evaluate intended theoretical model appropriately and test the meaningfulness of specific theories, So we used the statistic package Amos20 to estimate the SEM model.

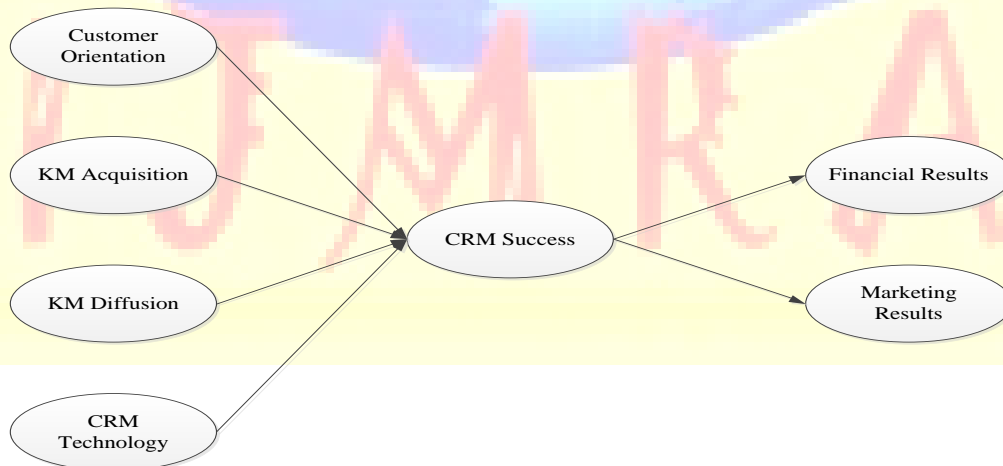


Figure 1. structural model for CRM success (garrido-moreno, padilla-Melendez, 2011)

## 6. Analysis of result

In this level of research, path analysis method (structural equations' model finding) has been used to determine each one of variables' effects on other variables in which balance indicators are studied firstly and then the model has been evaluated.

**Table 1.** Model's practice valuating general indicators

Indicator	Value	Recommended value
Normal Chi-square	1.503	>1;<2
Satorra-Bentler chi-square	P=.000	P≥0.05
RMSEA	0.050	≤0.05
GFI	0.795	≥0.7
RMR	0.1	≤0.1
AGFI	0.769	
IFI	0.893	
CFI	0.891	

In current research calculated value for RMSEA, GFI, IFI,  $\chi^2/df$  and Comparative fitting indicator (CFI) are acceptable.

## 7. Conclusion & discussion

In this part we discussed the meaningfulness of derived numbers and in relation to meaningfulness of numbers we should say that because in this research we're going to test the theories by certainty level of 0.95 or error level of 0.5, In the T test those numbers will be meaningful that are larger than -1.96 and +1.96 which means if T was a number between them it would be meaningless. In the practice proved model derived numbers for T test are meaningful and we can study the causal relations (measuring indicators with latent variable) and effects (latent variables together). Considering forenamed occasions, the model in the aspect of balance indicators is in a proper situation.

**H1:** There's a positive and significant relation between customer orientation variable and customer relationship management variables.

The results of statistical analysis signify that this theory will be supported. Therefore, in the level of 95 percent certainty it can be claimed that customer orientation and CRM have a positive and significant relation. The results of this theory are in line with the results of Garrido -Moreno & Padilla-Melendez (2011) and MajidMirveysi(1382) researches.

**H2:** There's a positive and significant relation between knowledge management capability and customer relationship management success variables.

The results of statistical analysis show that this theory will be supported. therefore in the level of 95 percent certainty it can be claimed that the knowledge management capability and customer relationship management have a positive and significant relation, however in the analysis and results, knowledge diffusion was not proved but because of acquisition and using knowledge's acceptance, diffusion's not being proven does not affect the validity of the theory and the theory is approved. The results of this theory are in line with the results of Garrido-Moreno & Padilla-Melendez (2011) and Safar Fazli&MatinRashidiAstaneh (2013) researches.

**H3:** There's a positive and significant relation between customer relationship management technology and customer relationship success variables.

Based on the results, for the reason that the path which relates these two variables is positive but lacks meaning, the theory is not accepted. the analysis of given data from the research showed that CRM technology has a positive effect on CRM success but has no meaningful relation, therefore this theory is rejected that shows the incapability of the theory's extendibility. The results of this research are in line with the results of Kalantary and Tabi'iTolu(1389) but not in line with the results of Garrido-Moreno & Padilla-Melendez (2011)

This research finally recommends for future studies:

the study and recognition of other elements and variables that have remained hidden to researchers, doing the research on other statistical populations and comparing its results with the current research's results and also doing the research from customers' perspective, studying KM's using procedure and its tools, technology using procedure, chief manager and personnel's role in performing CRM.

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